



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

March 29, 2006

Interpretive Letter #1056
April 2006

Denis McHugh, Corporate Managing Director
Camille Rudge, Group Senior Vice President
LaSalle Bank, N.A.
540 W. Madison Street, Suite 2800
Chicago, IL 60661

Re: Authority of a National Bank to Engage in
Financial Intermediation Transactions

Dear Mr. McHugh & Ms. Rudge:

This responds to your request that the Office of the Comptroller of the Currency (“OCC”) confirm that it is permissible for LaSalle Bank, N.A. (“Bank”) to engage in customer-driven,¹ perfectly matched, cash-settled derivative transactions on the same reference assets permitted under OCC Interpretive Letter No. 1039 (September 13, 2005), with the exception of emissions allowances. The Bank also seeks clarification that OCC Interpretive Letter No. 1039 permits national banks to use “frozen concentrate” orange juice as a permissible reference asset for these transactions.² Finally, the Bank proposes that in addition to high density polyethylene, which was listed as a permissible reference asset in OCC Interpretive Letter No. 1039, the Bank also may use linear low density polyethylene and polypropylene as permissible reference assets. For the reasons discussed below and subject to the limitations described herein, the transactions on the proposed reference assets are permissible for the Bank.

In OCC Interpretive Letter No. 1039, we determined that a national bank may engage in customer-driven, perfectly matched, cash-settled derivative transactions on the reference assets identified in that letter as part of bank permissible financial derivative transactions. The permissibility of the activity was conditioned on the national bank in question having

¹ A “customer-driven” transaction is one entered into for a customer's valid and independent business purpose. *See* OCC Interpretive Letter No. 892 (September 13, 2000).

² OCC Interpretive Letter No. 1039 includes “orange juice” in its list of permissible reference assets, but does not clarify that this term includes frozen concentrate orange juice.

established, to the satisfaction of its examiner-in-charge (“EIC”), an appropriate risk measurement and management process for the activities.³

On the basis of the analysis set forth in detail in OCC Interpretive Letter No. 1039, we conclude that the Bank may similarly act as a financial intermediary in customer-driven, perfectly matched, cash-settled, derivative transactions on the reference assets described above, provided the Bank’s EIC is satisfied the Bank has adequate risk management systems and controls to conduct the activities on a safe and sound basis. Our conclusions are specifically based on the Bank’s representations and written submissions describing the facts and circumstances of the subject transactions. Any change in the facts or circumstances could result in different conclusions. If you have any questions concerning this letter, please contact Tena M. Alexander, Special Counsel, Securities and Corporate Practices Division, at (202) 874-5210.

Sincerely,

signed

Julie L. Williams
First Senior Deputy Comptroller
and Chief Counsel

³ This process is necessary for the Bank to achieve its customer risk management objectives in a safe and sound manner and, thus, must be established before the OCC can conclude that the activities are permissible for the Bank.